

FIG. 1

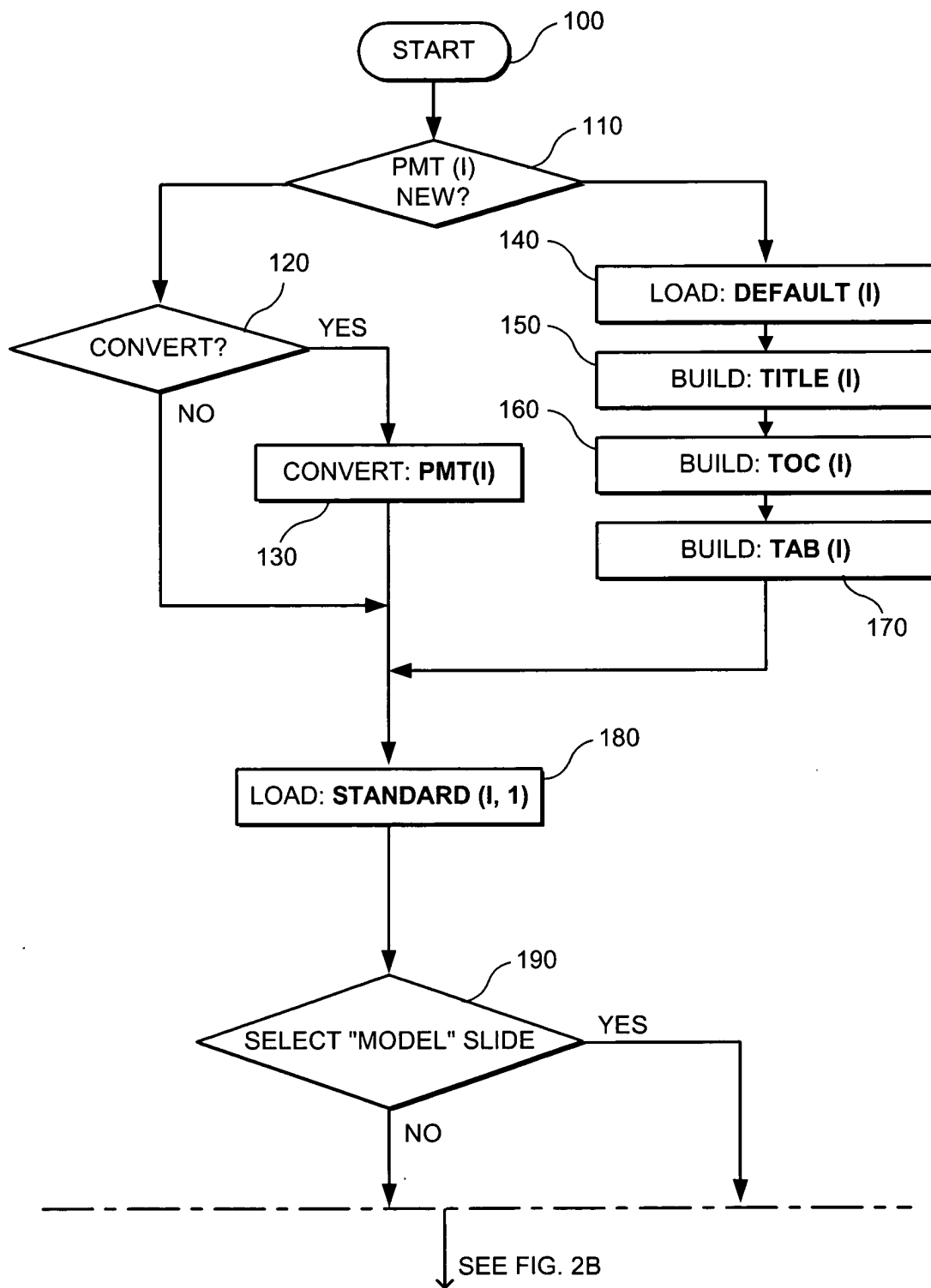


FIG. 2A

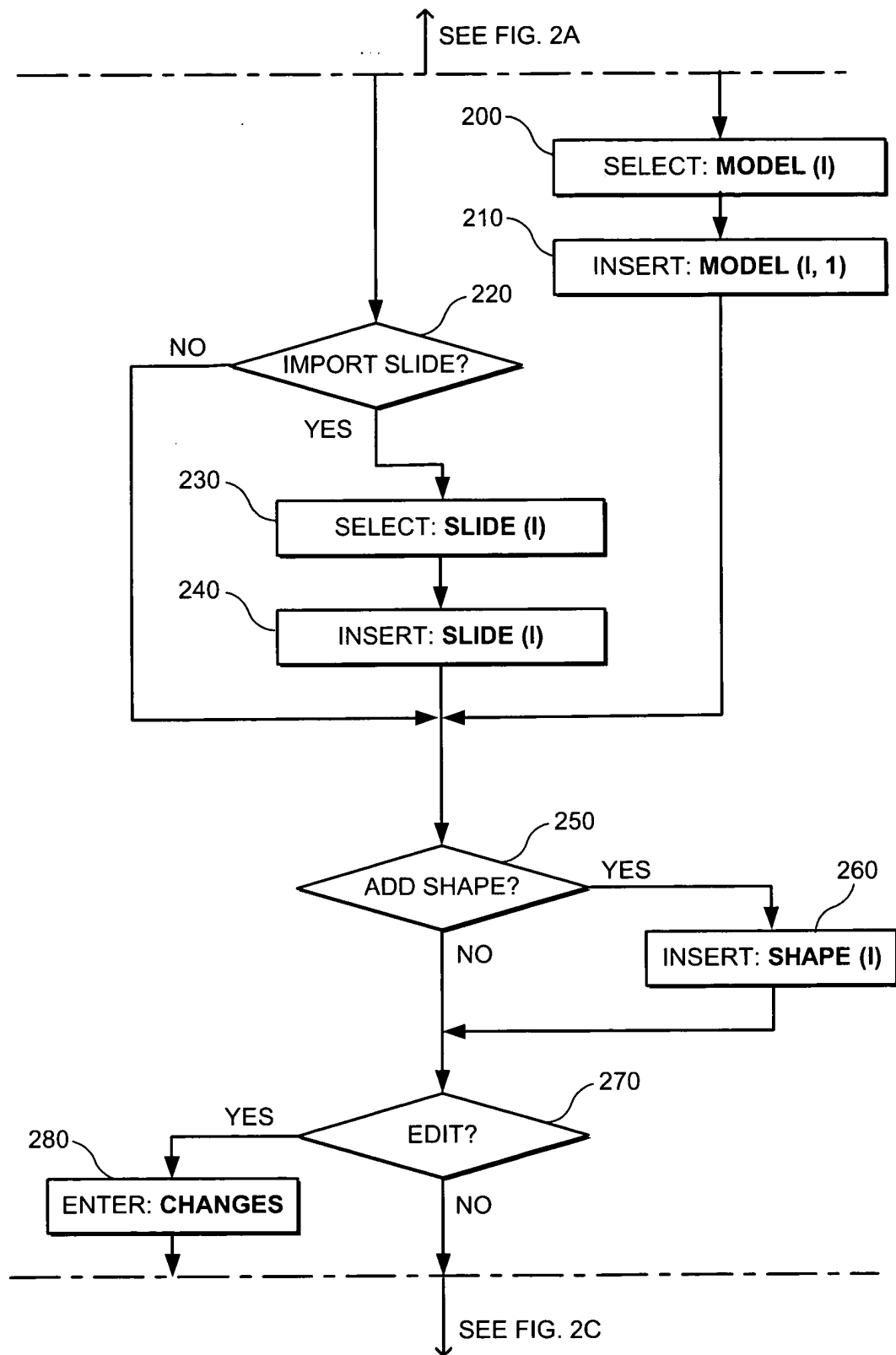


FIG. 2B

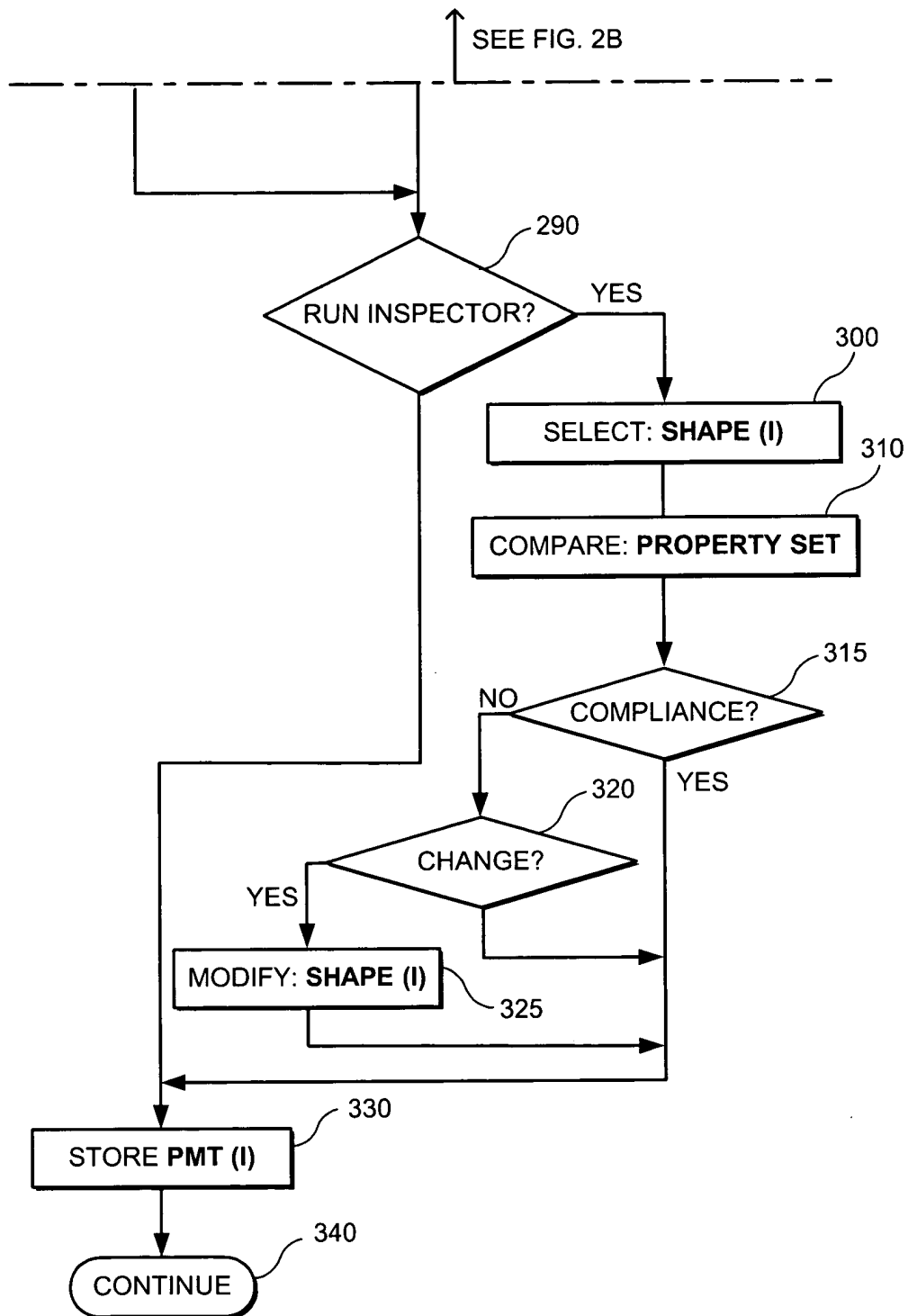


FIG. 2C

FIGURE 3

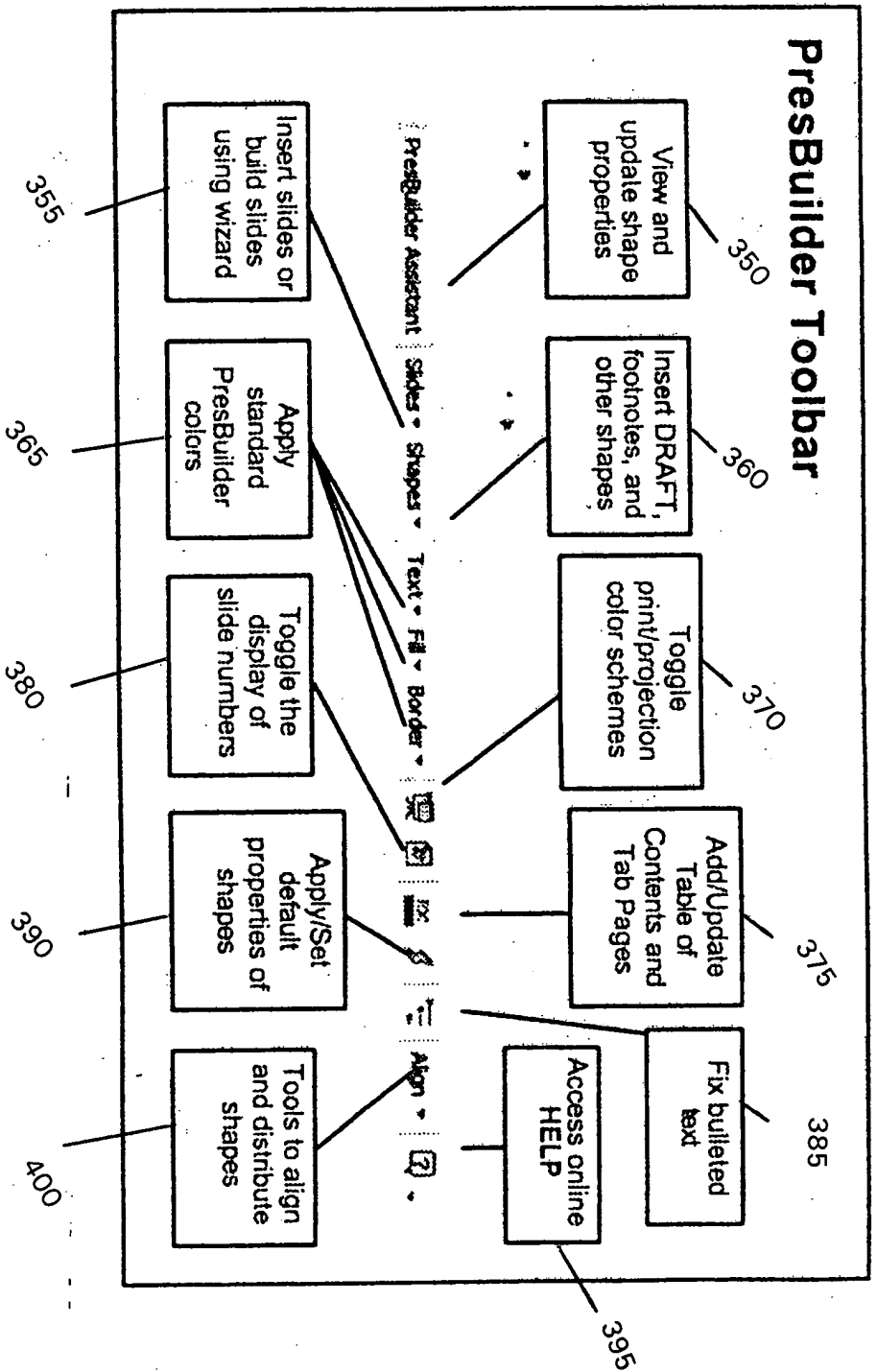


FIGURE 4

SAMPLE PRESENTATION

*Confidential Presentation to:*

Company XYZ

COMPANY  
XYZ

Opportunities in the E&P Sector  
(Sample for PresBuilder)

*December, 2003*

LEHMAN BROTHERS

# Table of Contents

- ◆ Introduction
- ◆ Upstream M&A Market Overview
- ◆ Transaction Opportunity
- ◆ Appendices
  - ◆ Comparable Company Analysis
  - ◆ Case Study
  - ◆ Lehman Brothers’ Energy Leveraged Finance Qualifications

## FIGURE 6

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**Introduction**



# Introduction

## FIGURE 7

Introduction

### Meeting Overview

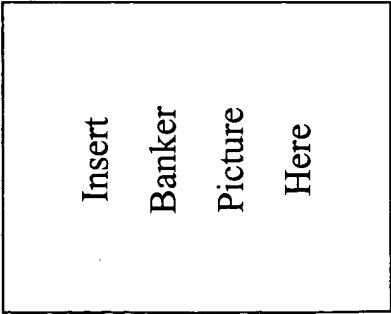
- ◆ Lehman Brothers is pleased to meet with Company XYZ to discuss an opportunities in the exploration and production (“E&P”) sector.
- ◆ We intend to cover the following topics in our presentation today:
  - An overview of the E&P M&A market
  - A discussion of opportunities with Company Q
  - A review of Lehman Brothers M&A credentials

# Lehman Brothers Company XYZ Team

FIGURE 8

Introduction

Lead Banker has significant transaction experience.



**Lead Banker**  
*Managing Director,  
Global Chemicals Group*

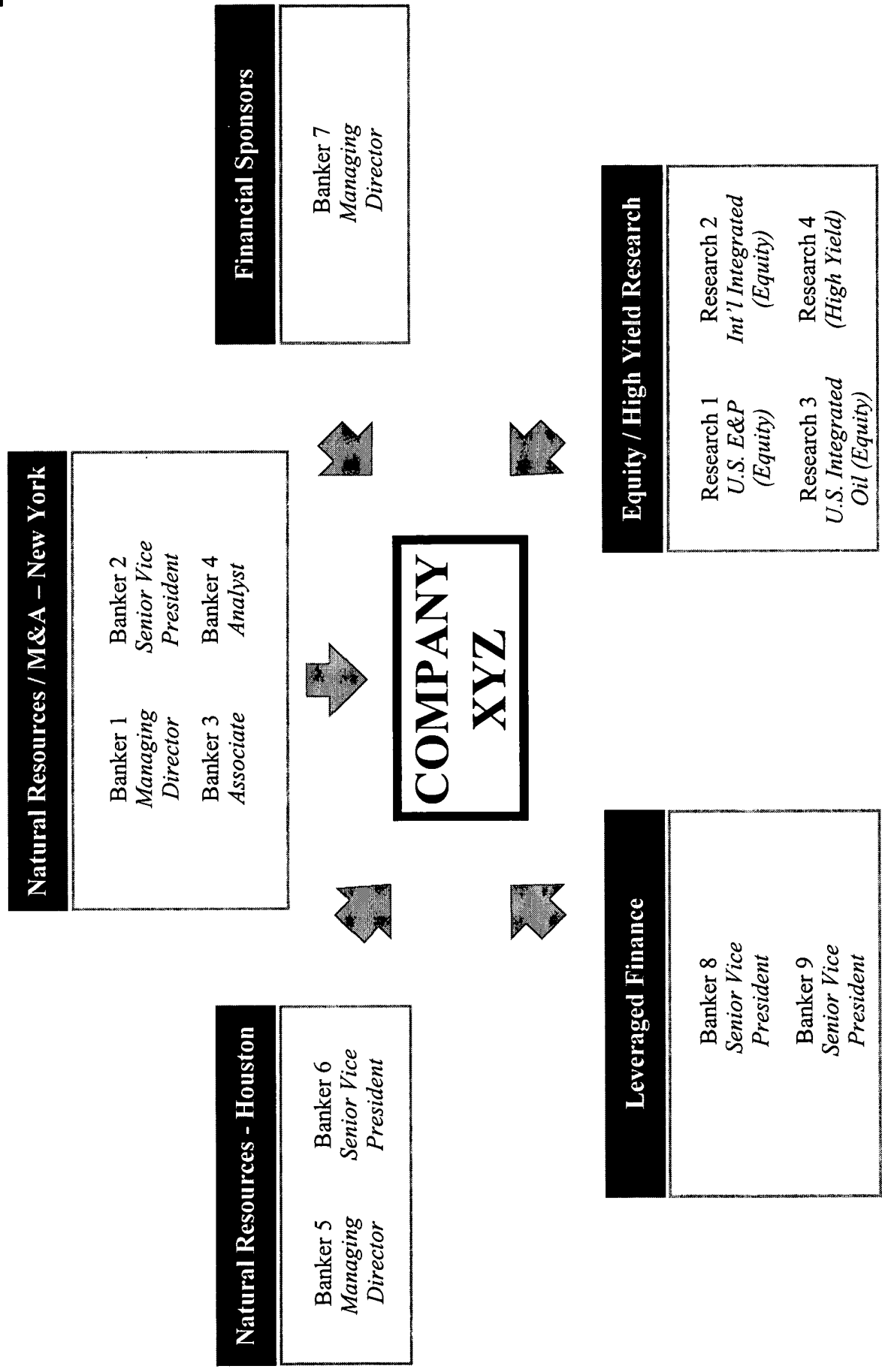
Title	
Client	Transaction
Issuer:	Teligent, Inc. (the Company)
Issue:	Senior Notes due 2009 (the Notes)
Principal Amount:	\$250-\$500 million principal amount
Registration:	Shelf takedown
Assumed Credit Ratings:	Caa1/CCC
Interest Rate:	12_%-13% payable semi-annually in arrears
Interest Escrow:	None required
Ranking:	Pari passu with other senior debt of the Company; structurally subordinated to subsidiary debt
Registration:	Shelf takedown
Assumed Credit Ratings:	Caa1/CCC
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Interest Escrow:	None required
Ranking	Pari passu with other senior debt of the Company; structurally subordinated to subsidiary debt

FIGURE 9

# Lehman Brothers Company XYZ Team

Introduction



**COMPANY  
XYZ**

FIGURE 10

# Premier Global Natural Resources Franchise

Introduction

## Proven Track Record

- ◆ Lehman Brothers has maintained a dedicated natural resources investment banking practice for over 50 years

## Industry Leader

- ◆ Consistently ranks among top 3 M&A advisors
- ◆ #1 bookrunner of U.S. equity and equity-related new issues since the beginning of 2000
- ◆ #1 underwriter of high yield debt in 2002 year-to-date
- ◆ #1 arranger of leveraged loans in 2002 year-to-date

## Unparalleled Research

- ◆ 6 Institutional Investor's All-America Research Team Analysts

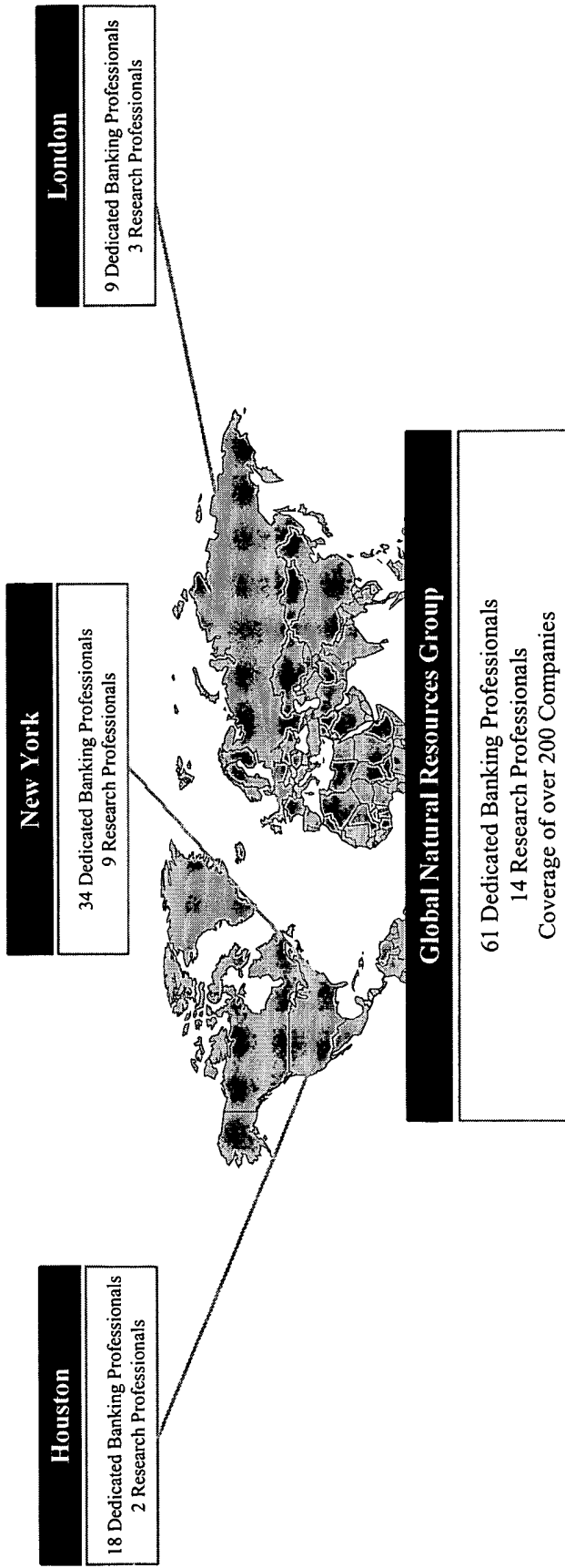


FIGURE 11

# Lehman Brothers' M&A Qualifications

Introduction

## Selected Natural Resources Transactions

◆ Lehman Brothers has also been an active M&A advisor within the broader Natural Resources sector.

<p><i>Pending</i></p> <p><b>Williams</b></p> <p>has agreed to sell its Mid-South downstream assets to</p> <p><b>Premcor</b></p> <p>The undersigned acted as exclusive financial advisor to Williams</p> <p>LEHMAN BROTHERS</p> <p><i>May 2002</i></p>	<p><i>July 2002</i></p> <p><b>Williams</b></p> <p>has completed a restructuring</p> <p>The undersigned acted as Lead financial advisor to the Williams restructuring</p> <p>LEHMAN BROTHERS</p> <p><i>May 2002</i></p>	<p><i>July 2002</i></p> <p><b>Williams</b></p> <p>has sold 98% of its interests in the MAPL and Seminole pipelines to</p> <p><b>ENTERPRISE</b></p> <p>The undersigned acted as financial advisor to Williams</p> <p>LEHMAN BROTHERS</p> <p><i>March 2002</i></p>	<p><i>July 2002</i></p> <p><b>MIDAMERICAN</b> ENERGY HOLDINGS COMPANY</p> <p>acquisition of Northern Natural Gas Pipeline from</p> <p><b>DYNEGY</b></p> <p>The undersigned acted as financial advisor to Mid-American</p> <p>LEHMAN BROTHERS</p> <p><i>February 2002</i></p>
<p><b>QSERVICES</b> INC</p> <p>has been acquired by</p> <p><b>Key</b></p> <p>The undersigned acted as financial advisor to Q Services</p> <p>LEHMAN BROTHERS</p> <p><i>October 2001</i></p>	<p><b>TESORO</b></p> <p>acquisition of certain R&amp;M assets of</p> <p><b>VALERO</b> ENERGY CORPORATION</p> <p>The undersigned acted as financial advisor to Tesoro</p> <p>LEHMAN BROTHERS</p> <p><i>October 2001</i></p>	<p><i>September 2001</i></p> <p><b>TESORO</b></p> <p>acquisition of certain R&amp;M assets of</p> <p><b>bp</b></p> <p>The undersigned acted as financial advisor to Tesoro</p> <p>LEHMAN BROTHERS</p>	<p><i>June 2001</i></p> <p><b>STATOIL</b></p> <p>privatization of Company</p> <p>Oil and Gas India Ltd The undersigned acted as financial advisor to BG</p> <p>LEHMAN BROTHERS</p>
<p><b>TECHNIP</b></p> <p>The undersigned acted as financial advisor to Coflexip Stena Offshore</p> <p>LEHMAN BROTHERS</p>	<p>The undersigned acted as financial advisor to Chevron Corporation</p> <p>LEHMAN BROTHERS</p>	<p>The undersigned acted as financial advisor to Statoil</p> <p>LEHMAN BROTHERS</p>	

## FIGURE 12

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**Upstream M&A Market Overview**

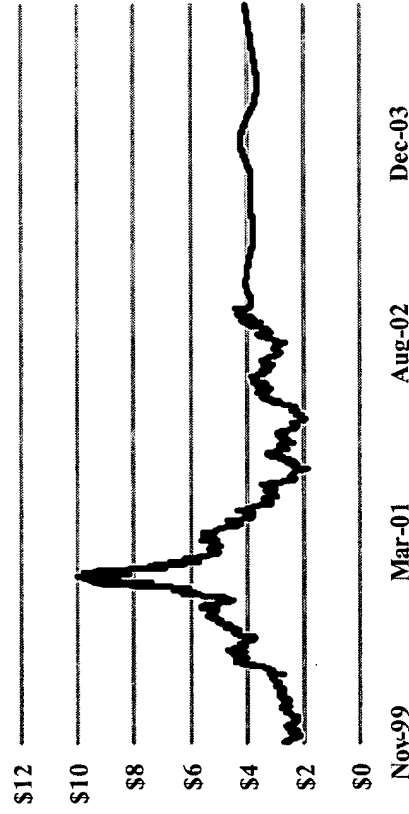
# Upstream M&A Market Overview

Upstream M&A Market Overview

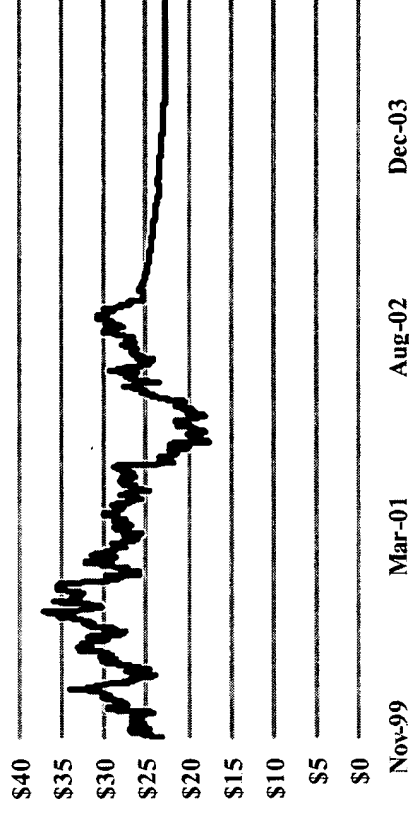
## Commodity Price Environment

- ◆ Oil and gas markets continued to be volatile in 2002, driven by world political events and supply / demand dynamics.
- ◆ Ongoing tensions in the Middle East, non-OPEC extended production cuts, and a temporary disruption in Venezuelan oil operations due to the April riots in that country created a sharp war premium in crude oil prices despite a fragile economy and weak demand fundamentals.
- ◆ Early strength from high competitive fuel prices and current concerns over falling domestic production and imported volumes have staved off a decline in natural gas prices despite a large inventory overhang throughout the year.

### Natural Gas Spot and Futures Prices



### Oil Spot and Futures Prices



- ◆ While the gap has narrowed in recent months, there continues to be a disparity between the forward strip and First Call commodity prices.

	Spot		52-Week		Calendar Strips			Lehman Research			First Call Consensus		
	(11/29/02)		High	Low	2002 <sup>(1)</sup>	2003	2004	2003	2004	2004	2003	2003	2004
Natural Gas (Henry Hub)	\$4.19		\$4.43	\$1.81	\$3.33	\$3.99	\$3.86	\$3.50	\$3.50	\$3.50	\$3.41	\$3.41	\$3.38
Oil (WTI)	\$26.89		\$30.83	\$17.97	\$25.96	\$25.42	\$23.45	\$24.25	\$21.00	\$21.00	\$23.45	\$23.45	\$21.65

• Represents 1 months of strip prices and 11 months of historical spot prices.

## Upstream M&amp;A Market Overview

Upstream M&amp;A Market Overview

## Recent Premiums Paid

- ◆ A decline in natural gas prices following the announcement of the Barrett / Williams transaction resulted in lower transaction premiums as well as prices (\$/Mcf).
- Sellers continue to “look back” to their 52-week highs as floor pricing, though early 2001 highs are fading

## Premiums Paid

Transaction Type	UCL / PRS	CNQ / RAX <sup>(1)</sup>	PCE / AEC	MHR / PRZ	BR / HTR	D / LD	DVN / AXL	DVN / MND	KMG / HSE	WMB / BRR <sup>(2)</sup>
% Cash	0%	60%	0%	15%	100%	50%	100%	57%	70%	50%
% Stock	100%	40%	100%	85%	0%	50%	0%	43%	30%	50%
Premium to:										
1 Day Prior to Announcement	27.0%	25.4%	11.8%	32.6%	35.9%	22.0%	51.5%	32.3%	23.9%	60.0%
5 Day Prior to Announcement	29.4%	27.0%	18.0%	40.8%	51.4%	20.9%	43.4%	31.2%	39.2%	65.0%
20 Day Prior to Announcement	24.3%	31.1%	8.7%	41.2%	51.4%	32.4%	41.4%	39.1%	41.3%	47.6%
52-Week High	(5.7%)	(38.9%)	(14.3%)	1.6%	16.5%	(14.6%)	4.7%	(4.8%)	21.1%	27.8%
Transaction Comparison:										
Date of Announcement	8/20/02	5/13/02	1/28/02	12/18/01	10/9/01	9/10/01	9/4/01	8/14/01	5/14/01	5/7/01
12-Month Forward Gas Strip	\$3.64	\$4.03	\$2.11	\$2.66	\$2.84	\$3.02	\$3.01	\$3.52	\$4.81	\$4.51
\$/Mcf	\$1.19 <sup>(3)</sup>	\$1.43	\$0.79	\$0.82	\$1.27 <sup>(4)</sup>	\$1.13 <sup>(5)</sup>	\$1.27 <sup>(6)</sup>	\$1.26 <sup>(7)</sup>	\$1.28	\$1.31 <sup>(8)</sup>
% Gas	68%	86%	42%	48%	97% <sup>(4)</sup>	89% <sup>(5)</sup>	62% <sup>(6)</sup>	95% <sup>(7)</sup>	79%	96% <sup>(8)</sup>
R/P (Years)	10.4	5.6	15.2	12.8	7.8 <sup>(4)</sup>	13.2 <sup>(5)</sup>	9.4 <sup>(6)</sup>	7.4 <sup>(7)</sup>	14.2	17.8 <sup>(8)</sup>

- Premiums based on consideration of C\$18 per share plus reported value of spun-off subsidiary of C\$1.90 per share.
- Premiums based on Barrett stock price on March 7, 2001, one day prior to Shell's unsolicited offer to buy Barrett.
- \$70.3 million allocated to non-reserve assets.
- Based on BR's reserve estimates as of year-end 2001 (1,237 Bcfe). After allocation of value to non-proved properties.
- Based on reserve estimates as of 12/31/00 (1,808 Bcfe). After allocation of value to non-proved properties.
- Based on AXL's reserve estimates as of 8/1/01 (3,192 Bcfe). After allocation of value to non-proved properties.
- Based on MND's reserve estimates as of 6/30/01 (2,100 Bcfe). After allocation of value to non-proved properties.
- Based on reserve estimates as of 3/31/01. After allocation of value to non-proved properties.

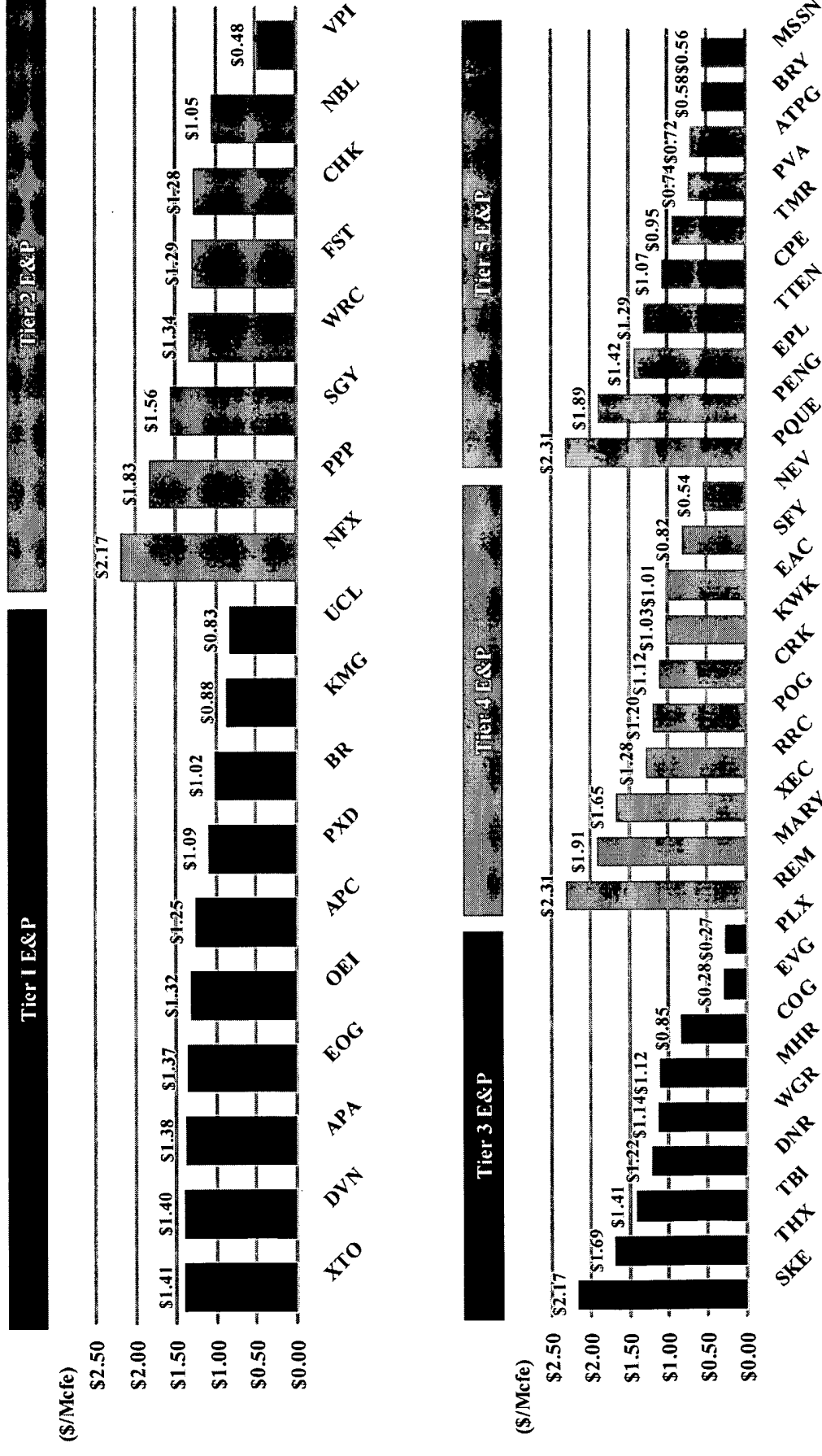


FIGURE 15

# Upstream M&A Market Overview

Upstream M&A Market Overview

## Reserve Multiples<sup>(1)</sup>



\* Multiples exclude value attributed to non-E&P properties.

## FIGURE 16

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**Transaction Opportunities**

# Overview of Company Q

FIGURE 17

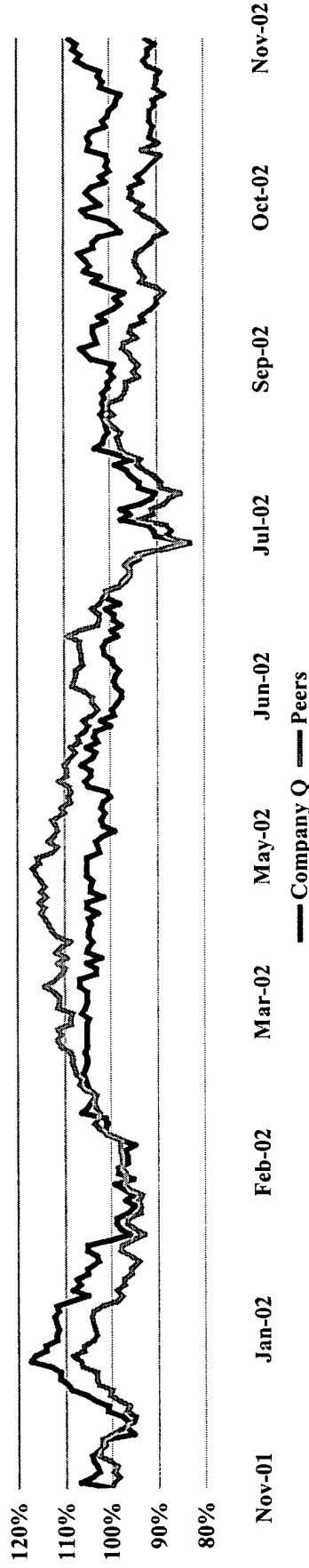
Transaction Opportunities

## General Overview

- ◆ Company Q is a mid-cap domestic independent focused in the GOM and onshore U.S.
  - Offshore properties located in the shallow waters of the GOM; onshore properties in S. Texas, the Arkoma Basin, South Louisiana, the Appalachian Basin in West Virginia and E. Texas
  - Balance of high impact offshore exploration plays with stable domestic onshore development and exploitation opportunities
  - Net proved reserves of 734 Bcfe as of (95% gas, 67% proved developed) <sup>(1)</sup>
- ◆ KevCo owns 67% of Company Q’s common stock.
- ◆ KevCo ran a formal auction process for Company Q in early 2000 and a second quiet process in late 2001; however, price expectations were not satisfied.
  - Company Q is considered to be “available” to a cash buyer

## Relative Trading Performance

Indexed Price



• 2001 year-end reserves pro forma for acquisition of B and C properties. No adjustments made for acquisition of working interest in KevCo producing blocks. Assumes B assets acquired are 100% developed.

# Overview of Company Q

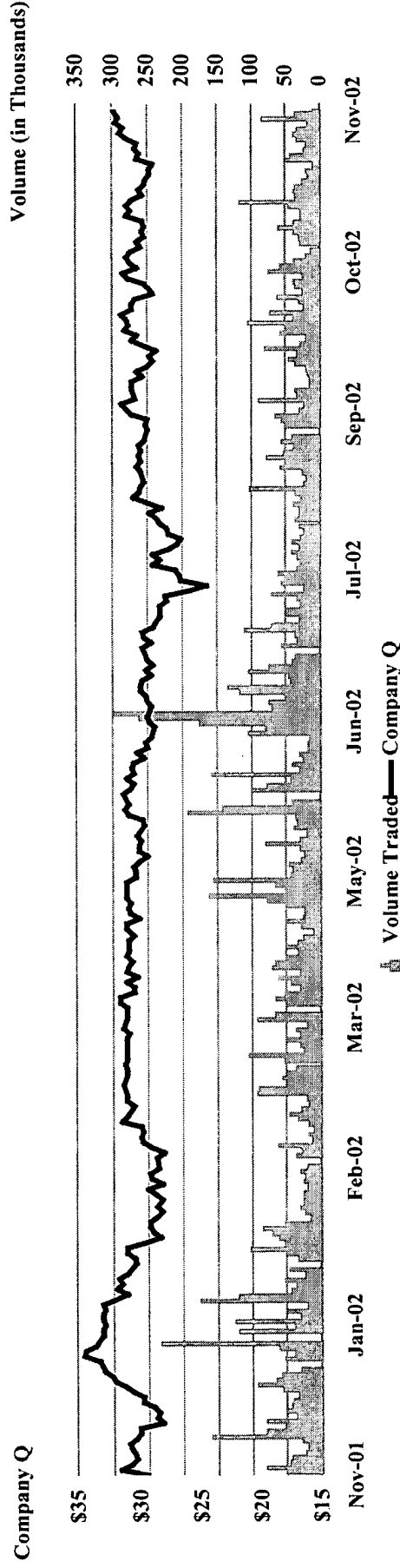
FIGURE 18

Transaction Opportunities

## Recent Events

- ◆ From January 1, 1997 to December 31, 2001, the Company increased its proved reserve base and annual production at compound annual growth rates of 13% and 23%, respectively.
- ◆ In September 2002, Company Q and Paso announced a joint venture to drill up to six exploration wells on the shallow water Gulf of Mexico.
- ◆ On June 3, 2002, Company Q closed on the acquisition of South Texas properties (37 Bcfe of net proved reserves) from Berry Resources for \$48.1 million.
- ◆ On December 31, 2001, the Company completed the purchase of natural gas and oil properties and associated gas gathering pipelines and equipment from Conoco for \$69 million.
  - Transaction expanded operations in South Texas; 85 Bcfe

## One Year Stock Price History



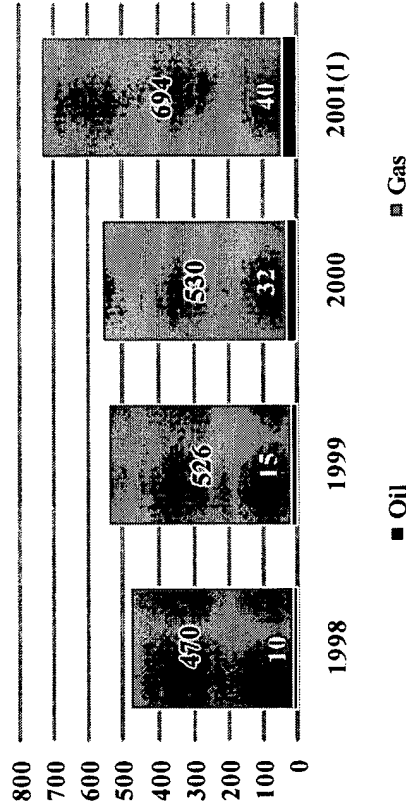
# Overview of Company Q

FIGURE 19

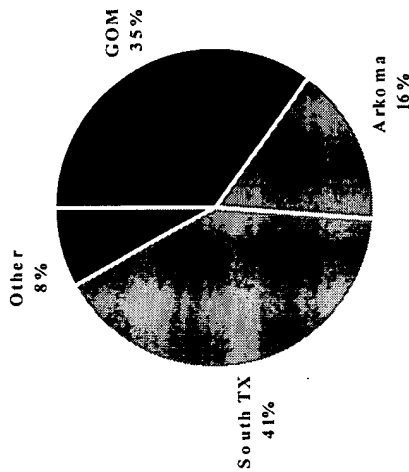
Transaction Opportunities

## Reserves & Production

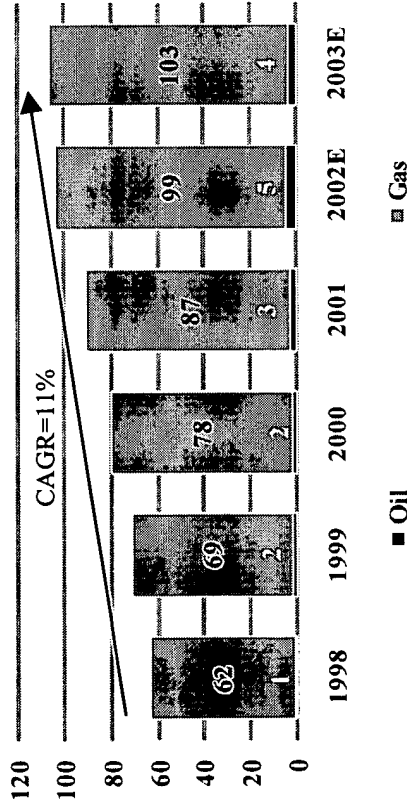
### Historical Proved Reserves (Bcfe)



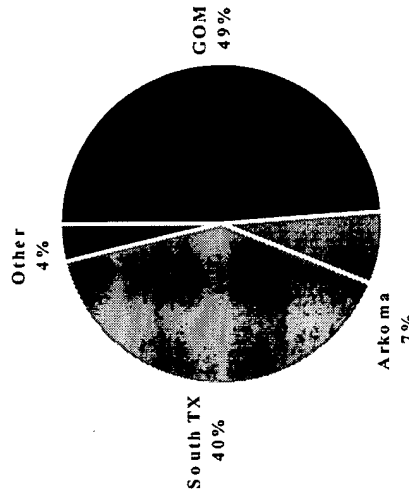
### Proved Reserves by Area



### Historical and Estimated Net Production<sup>(2)</sup> (Bcfe)



### 2001 Production Distribution



R/P = 6.8 years

- Pro forma for acquisition of B and C properties. No adjustments made for acquisition of working interest in KevCo producing blocks.
- Estimates per Lehman Brothers' equity research.

# Overview of Company Q

FIGURE 20

Transaction Opportunities

## Summary Financial Information

### Historical Financials

	2000	2001	LTM
Revenue	\$271	\$380	\$316
EBITDE	288	270	266
EBIT	199	141	115
Net Interest	11	3	6
Net Income to Common	85	123	76
CFFO	201	358	209
Capex	185	368	302

### Trading Information

Common Stock Price (11/29/02)	\$31.30
Shares Outstanding (MM)	30.7
"In the Money" Options	0.4
Market Value	\$975
Net Debt & Pfd.	268
Net Market Capitalization	\$1,243

### Balance Sheet Information

	12/31/00	12/31/01	9/30/02
Cash	\$10	\$9	\$5
Net PP&E	705	939	988
Total Assets	837	1,059	1,074
Total Debt	\$245	\$244	\$247
Preferred Equity	-	-	-
Minority Interest	-	-	-
Common Equity	397	566	566
Book Capitalization	\$642	\$810	\$813
Total Debt/Total Book Cap.	38.2%	30.1%	30.4%
Net Debt/Net Book Cap.	37.2%	29.4%	29.9%

Equity Value as a Multiple of:	Data	Multiple	Peer Median
EPS <sup>(1)</sup> :	2003E	12.8 x	21.2 x
	2004E	12.3 x	30.5 x
CFPS <sup>(1)</sup> :	2003E	3.7 x	4.4 x
	2004E	3.6 x	4.0 x
Book Value:	\$566	1.7 x	1.9 x
Net Market Cap. as a Multiple of:			
Net PP&E:	\$988	1.3 x	1.2 x
EBITDE <sup>(1)</sup> :	2003E	4.2 x	5.2 x
	2004E	4.1 x	5.4 x
Reserves (\$/Mcfe):	734	\$1.69	\$1.13

• Estimates per Lehman Brothers equity research.

# Overview of Company Q

FIGURE 21

Transaction Opportunities

## Officers, Directors and Shareholders

### Officers

Name	Title
William G. Hargett	President and CEO
Charles W. Adcock	SVP and General Manager, Offshore Division
Steven L. Mueller	SVP and General Manager, Offshore Division
Tracy Price	SVP Land
Roger B. Rice	VP, Human Resources and Administration
Thomas E. Schwartz	VP, Geophysics
James F. Westmoreland	VP, Chief Accounting Officer and Secretary

### Directors

Name	Title
Robert B. Catell	Chairman
William G. Hargett	President and CEO
Gordon F. Ahalt	President, GFA Inc.
David G. Elkins	President and Co-CEO, Sterling Chemicals, Inc.
Russell D. Gordy	Managing General Partner, S.G. Interests
Gerald Luteran	EVP and CFO of KeySpan
H. Neil Nichols	President, KeySpan Energy Development Corp.
James Q. Riordan	Retired Vice Chairman and CFO, Mobil
Donald C. Vaughn	Retired Vice Chairman, Halliburton
Robert J. Fani	President, KeySpan Energy Services

### Shareholders (1)

Major Institutional Shareholders	Held	% of Total
KeySpan Energy Corp	20,380,392	66.4%
MFS Investment Management	2,479,096	8.1%
Dimensional Fd Advisors, Inc.	1,135,900	3.7%
Dalton Greiner Hartman Maher	879,835	2.9%
Legg Mason Fds Mgmt, Inc.	784,180	2.6%
Westport Asset Management Inc.	665,500	2.2%
Barclays Gbl Investors, N.A.	569,974	1.9%
Fleet Invt Advisors, Inc.	459,100	1.5%
Mellon Private Asset Mgmt	327,208	1.1%
Principal Cap Investors, Llc	292,646	1.0%
Vanguard Group	223,589	0.7%
Westwood Management Corp.	189,700	0.6%
Numeric Investors, L.P.	186,808	0.6%
Muhlenkamp And Company Inc.	180,600	0.6%
State Str Global Advr	160,584	0.5%
<b>Total</b>	<b>28,915,112</b>	<b>94.2%</b>
Officers and Directors	215,326	0.7%
Other	1,562,457	5.1%
<b>Total Shares Outstanding</b>	<b>30,692,895</b>	<b>100.0%</b>

\* Data based on Shareworld ownership data and available public filings.

## FIGURE 22

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## Appendices



## FIGURE 23

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### Comparable Company Analysis

FIGURE 24

# Comparable Company Analysis

Comparable Company Analysis

## E&P Companies

Company Name:	AAA Co.	BBB Co.	CCC Co.	DDD Co.	EEE Co.	FFF Co.	GGG Co.	HHH Co.	III Co.	JJJ Co.	Median
<b>Company Symbol:</b> <b>Current Stock Price as of 11/29/02:</b> <b>Equity Market Value (\$MM):</b> <b>Net Market Capitalization (\$MM):</b>	AAA \$47.20 \$11,804 \$17,443	BBB \$53.88 \$7,844 \$10,505	CCC \$42.12 \$8,480 \$12,114	DDD \$45.79 \$7,212 \$14,831	EEE \$38.77 \$4,578 \$5,809	FFF \$45.25 \$4,542 \$9,451	GGG \$18.84 \$3,409 \$4,755	HHH \$24.66 \$2,931 \$4,557	III \$29.65 \$7,647 \$9,423	JJJ \$23.95 \$3,074 \$4,204	
<b>Equity Market Value as a Multiple of:</b>											
DCFPS	LTM										
	2002E	6.4 x	5.5 x	6.3 x	4.5 x	6.2 x	3.3 x	5.4 x	7.8 x	4.5 x	5.7 x
	2003E	5.8 x	5.1 x	6.1 x	3.9 x	6.1 x	4.4 x	4.8 x	7.5 x	4.1 x	5.4 x
	2004E	5.4 x	4.8 x	5.5 x	3.6 x	5.5 x	4.0 x	4.7 x	4.4 x	4.0 x	4.7 x
		5.3 x	5.1 x	5.4 x	3.5 x	5.3 x	4.1 x	4.6 x	4.2 x	4.4 x	4.8 x
EPS:	LTM	19.2 x	17.2 x	NM	14.4 x	NM	NM	23.2 x	NM	3.4 x	16.8 x
	2002E	15.7 x	13.8 x	22.2 x	13.5 x	43.1 x	19.3 x	17.9 x	44.8 x	16.9 x	17.4 x
	2003E	13.7 x	13.8 x	21.1 x	10.1 x	22.2 x	15.6 x	17.1 x	9.3 x	14.5 x	14.5 x
	2004E	15.0 x	16.8 x	21.6 x	10.2 x	23.5 x	18.1 x	20.9 x	10.7 x	20.4 x	17.6 x
Book Value:		1.8 x	1.7 x	2.3 x	1.6 x	3.0 x	1.6 x	2.2 x	2.1 x	2.1 x	2.1 x
<b>Enterprise Value as a Multiple of:</b>											
EBITDE:	LTM										
	2002E	7.6 x	6.1 x	7.4 x	6.4 x	7.4 x	6.4 x	6.9 x	11.6 x	2.5 x	7.1 x
	2003E	6.8 x	5.5 x	6.8 x	6.1 x	7.7 x	5.2 x	6.0 x	9.6 x	4.2 x	6.4 x
	2004E	6.3 x	5.4 x	6.3 x	5.6 x	6.1 x	5.6 x	5.5 x	5.6 x	4.0 x	5.6 x
		6.3 x	5.7 x	6.2 x	5.3 x	6.0 x	5.8 x	5.6 x	5.5 x	4.4 x	5.7 x
Net PP&E:		1.2 x	1.3 x	1.4 x	1.4 x	1.8 x	1.3 x	1.5 x	1.5 x	1.2 x	1.4 x
<b>Market Value of Reserves as a Multiple of:</b>											
Proved Reserves (6:1)	MMBOE										
	Bcfe	\$7.51	\$8.29	\$6.10	\$8.42	\$8.22	\$5.28	\$7.91	\$6.56	\$4.95	\$7.71
		\$1.25	\$1.38	\$1.02	\$1.40	\$1.37	\$0.88	\$1.32	\$1.09	\$0.83	\$1.29
SEC Value:	After-Tax	2.2 x	1.9 x	2.0 x	2.3 x	2.3 x	1.5 x	1.7 x	1.8 x	1.7 x	2.0 x
	Pre-Tax	1.5 x	1.4 x	1.4 x	NA	1.7 x	1.1 x	1.4 x	1.6 x	1.2 x	1.4 x
Proved Reserves / 2001 Production		11.7 yrs	10.1 yrs	13.8 yrs	8.6 yrs	10.4 yrs	13.3 yrs	11.0 yrs	16.2 yrs	9.5 yrs	11.4 yrs
% Gas		50.7%	52.7%	68.8%	65.8%	89.7%	45.7%	49.3%	53.2%	62.2%	57.7%
<b>Credit Statistics:</b>											
Net Debt / Net Book Cap		45.0%	27.3%	49.5%	62.2%	39.4%	52.8%	43.7%	53.8%	40.6%	47.2%
Net Debt / Net Market Cap		31.7%	19.0%	30.0%	50.4%	18.6%	43.6%	26.3%	35.7%	29.7%	29.9%
LTM EBITDE / Gross Interest		6.6 x	10.8 x	4.8 x	4.2 x	11.9 x	4.6 x	6.4 x	3.5 x	17.2 x	6.5 x

## FIGURE 25

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**Case Study**

# Superior Execution

## FIGURE 26

Lehman Brothers' Energy Leveraged Finance Qualifications

April 17, 2002

\$350,000,000



XTO Energy Inc.

7 ½% Senior Notes due 2012

LEHMAN BROTHERS

Joint Book-Running Manager

XTO Energy's 7 ½% Senior Notes represent the lowest yield ever achieved for a Ba2/BB rated 10-year deal as well as the lowest yield ever achieved for a High Yield issuer in the Oil & Gas sector

### Situation Overview

- ♦ The offering allowed XTO to access the high yield market at all-time record levels using proceeds to acquire additional oil and natural gas assets, repay bank debt and redeem subordinated debt
- ♦ The corporate credit rating is Ba1/BB+ while the Senior Notes are rated Ba2/BB
- ♦ On April 11, 2002, XTO announced that it had entered into agreements to acquire oil and natural gas properties in East Texas, Louisiana and the San Juan Basin of New Mexico with estimated proved reserves of 145 Bcf of gas equivalent

### Company Overview

- ♦ XTO is a leading independent E&P company engaged primarily in the exploration and production of natural gas with operations in the western U.S. and Alaska
- ♦ At December 31, 2001, the Company estimated its proved reserves to be 2.2 trillion cubic feet of natural gas, 54.0 million barrels of oil and 20.3 million barrels of natural gas liquids (2.7 Tcfe). The average reserve-to-production index for XTO's proved reserves was 14.8 years

### Outcome

- ♦ \$350 million 7 ½% Senior Notes due 2012 rated Ba2/BB priced at par to yield 7 ½% (tight end of 7 ½% - 7 5/8% price talk)
- ♦ Transaction priced on a spread basis at 227 bps over the ten year treasury – inside of many investment grade credits
- ♦ Proceeds of the offering were used to redeem \$115 million of the 9 ¼% Senior Subordinated Notes, fund \$121 million in recently announced oil and natural gas property transactions and to repay \$90.2 million of bank debt
- ♦ Investment grade quality assets and investment grade credit statistics provided strong support from crossover investors, allowing pricing at a record level

## FIGURE 27

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**Lehman Brothers' Energy Leveraged Finance Qualifications**

## #4 In Overall High Yield

Lehman Brothers' Energy Leveraged Finance Qualifications

## Significant Momentum in High Yield Year-To-Date

2002 High Yield League Table <sup>(1)</sup>			
(\$ in millions)			
	Amount	Share	
1 Credit Suisse First Boston	\$9,519.5	19.3%	
2 Deutsche Bank	\$7,289.1	14.8%	
3 Citigroup/SSB	\$6,717.8	13.6%	
4 <b>Lehman Brothers</b>	<b>\$4,922.7</b>	<b>10.0%</b>	
5 JP Morgan	\$3,633.5	7.4%	
6 Banc of America Securities	\$3,400.0	6.9%	
7 Goldman Sachs	\$3,026.0	6.1%	
8 UBS Warburg	\$2,865.0	5.8%	
9 Morgan Stanley	\$2,625.0	5.3%	
10 Merrill Lynch	\$1,503.1	3.0%	

2nd Quarter 2002 U.S. High Yield League Table			
	Underwriter	Proceeds (\$mm)	Share
1 Credit Suisse First Boston		\$3,885.2	19.5%
2 <b>Lehman Brothers</b>		<b>\$2,340.9</b>	<b>11.8%</b>
3 Citigroup/SSB		\$2,336.2	11.7%
4 JP Morgan		\$1,834.4	9.2%
5 Banc of America Securities		\$1,699.8	8.5%

1st Half 2002 U.S. High Yield League Table			
	Underwriter	Proceeds (\$mm)	Share
1 Credit Suisse First Boston		\$7,206.0	18.7%
2 Citigroup/SSB		\$4,392.3	11.4%
3 Banc of America Securities		\$3,767.7	9.8%
4 Deutsche Bank		\$3,534.4	9.2%
5 <b>Lehman Brothers</b>		<b>\$3,523.1</b>	<b>9.2%</b>

- ◆ Significant momentum in High Yield underwriting year-to-date, ranking #2 for the 2<sup>nd</sup> Quarter of 2002 and #5 for the 1<sup>st</sup> Half of 2002.
- ◆ 156% gain in market share vs the 2<sup>nd</sup> Quarter of 2001, and 33% gain in market share vs the 1<sup>st</sup> Half of 2001.
- ◆ Significant momentum in High Yield year-to-date, ranking #4 with over \$4.9 billion of league table credit and a 10.0% market share.
- ◆ Percentage change in market share versus 2001 of 63%, resulting in the best performance by any High Yield underwriter.

(1) Full-Credit to book-runner on the left, or "Quarterback". Lehman Brothers High Yield Capital Markets 11/11/02.

# #1 In Energy Leveraged Loans

## FIGURE 29

Lehman Brothers' Energy Leveraged Finance Qualifications

### Lehman Brothers Has Been Active in Energy Leveraged Loans

- ◆ Lehman Brothers is the top underwriter of leveraged loans in the Energy sector and has substantial experience and expertise as lead arranger for E&P, Oilfield Services, Refining and Power companies, arranging 22% of the issues in the sector year-to-date 2002.

YTD 2002 Energy Lead Arranger League Table

Bank	Proceeds (\$mm)	# of Deals	Share
1 Lehman Brothers	\$4,495	5	22.4%
2 JP Morgan Chase	\$4,147	13	20.7%
3 Citigroup	\$2,528	6	12.6%
4 BANK ONE Corp	\$2,108	22	10.5%
5 Bank of America	\$1,386	11	6.9%
6 Deutsche Bank Alex Brown	\$1,304	5	6.5%
7 Barclays	\$853	2	4.3%
8 Scotia Capital	\$600	1	3.0%
9 Wachovia Corp	\$525	3	2.6%
10 Toronto Dominion Bank	\$470	2	2.4%

Data Source: Lehman Brothers High Yield Capital Markets.

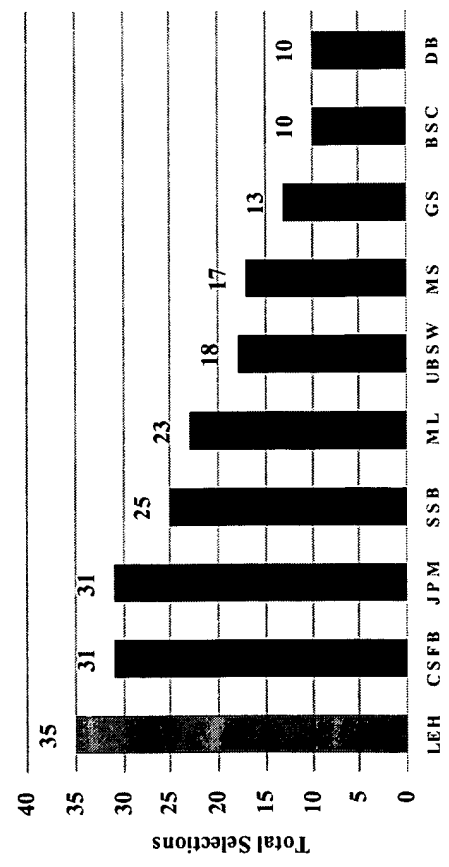
# #1 In Overall Fixed Income Research

Lehman Brothers' Energy Leveraged Finance Qualifications

Lehman Brothers' Execution Strength Rests Upon the Franchise of our Fixed-Income Credit Research and the Power of the Lehman Brothers Indices

## 2002 Institutional Investor Magazine

All-America Fixed Income Research Team Awards

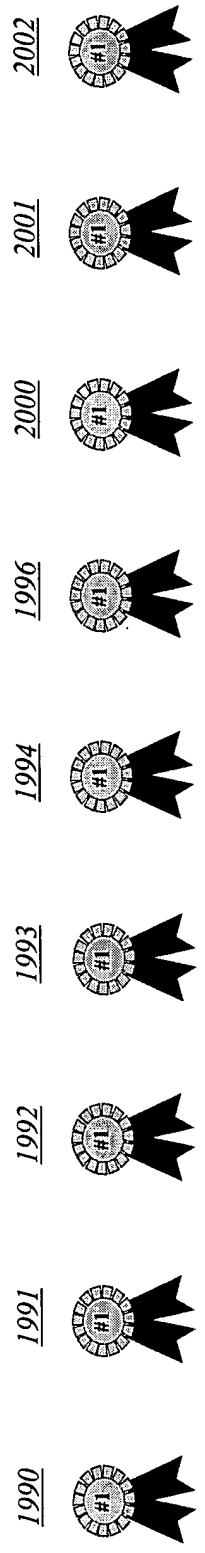


## #1 in Fixed Income Indices

- ◆ The "S&P" 500 of the bond market
- ◆ Used by 90% of fixed income investors in the US
- ◆ 50% market share in Europe
- ◆ Managed exclusively by Lehman Brothers
- ◆ Provides Lehman Brothers with unique insights into investor behavior

Investors Rely on Lehman Brothers for Strategic Direction, as Well as Specific Credit Research

Ranked #1 by Institutional Investor nine out of the past thirteen years





# Superior Execution

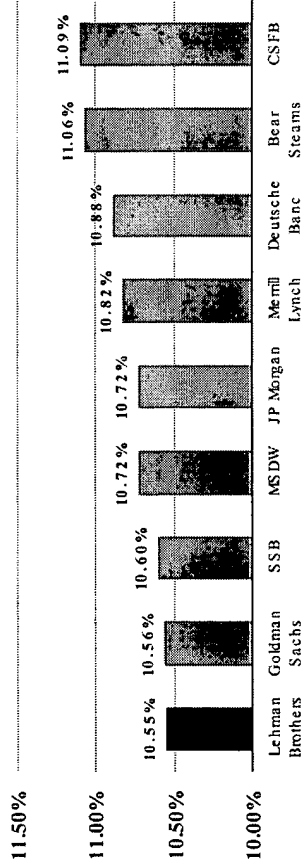
FIGURE 31

Lehman Brothers' Energy Leveraged Finance Qualifications

Lehman Brothers is recognized as the premier investment bank for high yield execution – our reputation for the highest quality execution benefits issuers in pricing by giving investors confidence that the necessary diligence and credit analysis has been completed, and accordingly, provides them the comfort in “paying up”. Our execution capabilities extend to our knowledge of structuring covenants

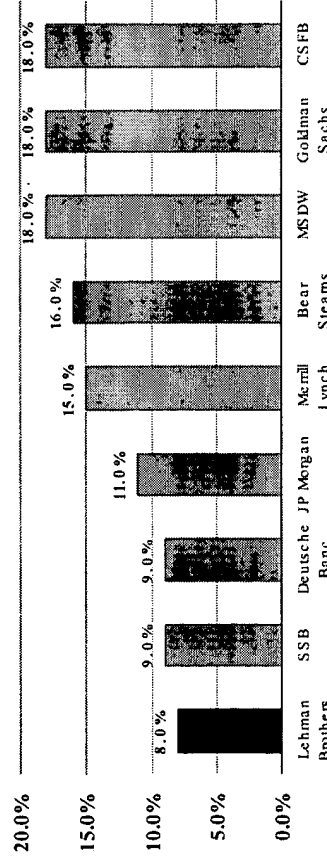
## Ranked #1 for Lowest Average YTM at Issue

At-Issue YTM for all Single-B Rated Bonds 1992-2001



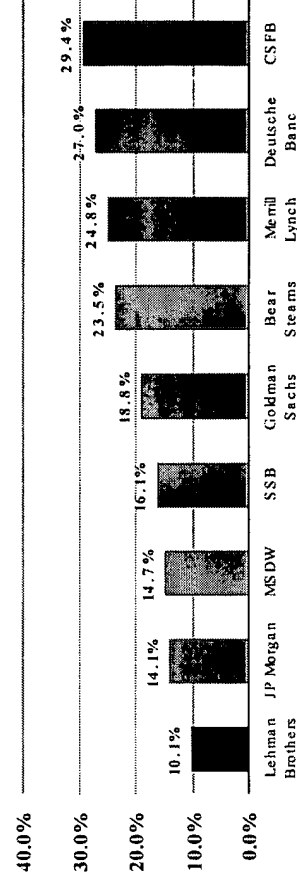
## Ranked #1 for Lowest Default Rates

% of Total Deals Defaulted 1998-2001



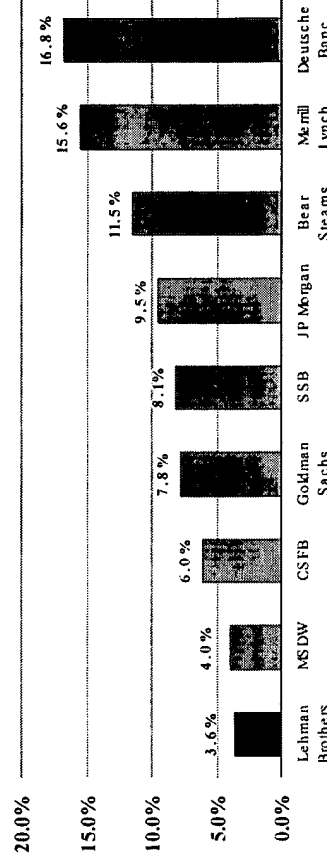
## Ranked #1 for Deals Priced Within Price Talk

% of Deals Priced Outside of Price Talk 1998-2001



## Ranked #1 for Lowest Number of Failed Deals

% of Total Deals Failed from 1998-2001



Data for average coupon, price talk performance, and failed deals compiled by Lehman Brothers High Yield Capital Markets as of December 31, 2001. Default rates compiled by Moody's Investor Services.